DEPARTMENT OF STATE A/CDC/MR
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# FOREIGN SERVICE DESPATCH

FROM : American Embassy, Tripoli

TO : THE DEPARTMENT OF STATE, WASHINGTON, PA or FCI April 10, 1956
DATE

REF : Embdesp. 254, Jan. 18, 1956; Embdesp. 257, Jan. 19, 1956; Deptel 283, Jan. 20, 1956

For Dept. Use Only — ACTION: TEA-4 — INFO: NEA-2 REA-2 OLI-6 E-4 WMS-1 — OTHER: AID-4 TR-3 AID-4 AMW-2 NAVY 3 — REC'D

SUBJECT: Libyan-American Reconstruction Commission: Program Status Report as of March 26, 1956

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JOINT EMBASSY-USOM/L MESSAGE

The Embassy/USOM transmit as Enclosure No. 1 six copies of LARC's Program Status report of March 26, 1956.

The Executive Director of LARC has recommended and the Commission has approved the transfer of the remaining $3,000,000, plus interest, in LARC's U. S. Treasury account to a commercial account or accounts, in view of the expected need for further transfers of funds to projects in the next few months. A formal request from the Chairman for this transfer may be expected in the near future.

As the Department will note from the Program Status report, allotments to projects as of March 26 totaled £L4,234,600 ($11,856,880), nearly the whole of the funds presently available, and of this amount £L2,589,162 ($7,249,654) had actually been transferred to action agencies. Work is under way on the projects to which funds have been transferred and further funds to permit continuance of this work will be required soon. Comparison of the March 26 status report with that of January 4, 1956 (transmitted as Enclosure No. 1 to Despatch 254 of January 18, 1956) shows that actual transfers of funds to projects during this period of about three months totaled £L1,853,472 ($5,189,722). Within the next three months work will begin on other earmarked projects in addition to those already under way. The favorable cash position which has resulted from the fact that a number of projects for which money has been earmarked have not yet been started or are progressing slowly in their initial stages will not long remain favorable. Moreover, a number of new projects are already under consideration for the LARC fiscal year 1956/57, and available funds which cannot be used on the projects for which they are earmarked can be diverted to starting new projects for which funds will be earmarked when LARC's expected new income materializes.

The Embassy/USOM believe that, at least for the funds in LARC's Treasury account, sufficient flexibility in financial management should be given to the Executive Director to permit the adjustments made necessary by the difficulties of planning and executing development projects in a country like Libya. It is virtually impossible to assess accurately in advance the rate of progress on a particular project and thus be able to withdraw funds from the Treasury account

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on a project-by-project basis. It is undesirable to transfer the total amount of the funds allotted for a project to the action agency at the time the project is commenced, since the Executive Director would thus lose a useful lever of control and supervision.

In fact, under the system of earmarkings and allotments by the Commission and phased transfers of funds by the Executive Director, there would appear to be little need for a Treasury account, particularly as it is unlikely to be used for DA funds. Moreover, any funds in a commercial bank account in excess of immediate needs can be placed on 90-day time deposit at a higher rate of interest than is obtainable from U. S. Government 90-day bills.

The Embassy/USOM therefore recommend that future increments of special funds to LARC be deposited directly in LARC's commercial bank account or accounts in the United States, provided that LARC procedures remain unchanged.

For the Ambassador:

David G. Nes
Counselor of Embassy

cc: Benghazi
USOM

(Cleared in draft with M. J. Gordon)

Orig. only — filed in AF; SL files.

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